

Financial Statements of

**PURE INDUSTRIAL REAL
ESTATE TRUST**

Period ended March 31, 2010

Unaudited - prepared by management

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2010.

PURE INDUSTRIAL REAL ESTATE TRUST

Balance Sheets

	March 31, 2010	December 31, 2009
	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS		
Income producing properties (note 3)	\$ 100,219,859	\$ 63,497,481
Intangible assets (note 4)	7,136,056	1,988,192
Mortgage reserve fund (note 5)	244,765	242,568
Prepaid expenses	193,553	42,015
Amounts receivable	829,953	722,585
Cash held in trust (note 6)	1,882,353	-
Cash	1,809,971	210,118
	\$ 112,316,510	\$ 66,702,959
LIABILITIES		
Mortgages payable (note 7)	\$ 67,293,731	\$ 41,061,100
Accounts payable and accrued liabilities	838,562	599,957
Demand note (note 13)	-	125,000
Rental deposits	204,625	204,625
Notes payable (note 8)	231,713	221,810
	68,568,631	42,212,492
UNITHOLDERS' EQUITY		
Unitholders' equity (note 9)	43,747,879	24,490,467
	\$ 112,316,510	\$ 66,702,959

Subsequent events (note 16)

See accompanying notes to financial statements.

Approved on behalf of the Trustees:

"Douglas R. Scott"

Douglas R. Scott

Trustee

"Stephen J. Evans"

Stephen J. Evans

Trustee

PURE INDUSTRIAL REAL ESTATE TRUST

Statements of Earnings and Comprehensive Income
Unaudited – prepared by management

Three months ended March 31	2010	2009
REVENUES		
Rental and recoveries	\$ 1,993,038	\$ 1,716,271
Interest and other	2,779	19,045
	1,995,817	1,735,316
PROPERTY RECOVERABLE OPERATING EXPENSES		
Insurance	20,272	14,636
Management fees	9,219	9,594
Recoverable operating costs	125	–
Property taxes	352,476	337,777
	382,092	362,007
EARNINGS BEFORE THE UNDERNOTED	1,613,725	1,373,309
NON-RECOVERABLE EXPENSES		
Amortization	452,983	400,341
Mortgage interest	571,121	583,695
Mortgage transaction costs	272,794	–
General and administrative expenses	76,035	51,150
Interest expenses on demand loan	28,547	2,635
	1,401,480	1,037,821
INCOME BEFORE DISPOSITIONS	212,245	335,488
Gain on disposal of properties	–	103,964
NET EARNINGS AND COMPREHENSIVE INCOME	\$ 212,245	\$ 439,452
Basic and diluted net earnings per unit		
Trust units (10,326,263 units / 7,526,263 units)	\$ 0.020	\$ 0.055
Subordinated units (278,947 units)	0.038	0.079

The weighted average number of trust units outstanding for the period ended March 31, 2010 was 10,326,263 and the weighted average number of trust units outstanding for the period ended March 31, 2009 was 7,526,263.

The weighted average number of subordinated units outstanding for the period ended March 31, 2010 was 278,947 and the weighted average number of subordinated units outstanding for the period ended March 31, 2009 was 278,947.

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Statements of Unitholders' Equity
Unaudited – prepared by management

	Units		Amount
Balance, December 31, 2008	7,805,211	\$	25,475,741
Net earnings	–		1,391,441
Distributions			
Trust units	–		(2,257,879)
Subordinated units	–		(118,836)
Balance, December 31, 2009	7,805,211		24,490,467
Issuance of units			
Trust units	7,200,000		21,600,000
Issuance costs	–		(1,581,707)
Net earnings	–		212,245
Distributions			
Trust units	–		(924,470)
Subordinated units	–		(48,656)
Balance, March 31, 2010	15,005,211	\$	43,747,879

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Statements of Cash Flows

Unaudited – prepared by management

Three months ended March 31	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings	\$ 212,245	\$ 439,452
Items not involving cash:		
Amortization of discount on mortgage reserve fund	(2,197)	(5,631)
Amortization of intangible assets	92,357	75,052
Amortization of income producing properties	360,626	325,289
(Gain) loss on sale of income producing properties	–	(103,964)
Changes in non-cash working capital items:		
Increase in amounts receivable	(107,368)	(82,977)
Increase in prepaid expenses	(151,538)	(126,894)
Increase in accounts payable and accrued liabilities	39,228	57,488
	443,353	577,815
Financing:		
Mortgage proceeds	25,545,000	–
Mortgage repayments	(909,609)	(572,763)
Mortgage reserve funds	–	140,000
Demand note repayments	(125,000)	–
Proceeds from notes payable	9,903	29,709
Net proceeds from issuance of units	20,018,293	–
Distributions to unitholders	(773,749)	(594,179)
	43,764,838	(997,233)
Investments:		
Costs related to purchase of income producing properties and related intangible assets (note 3)	(40,725,985)	(16,965)
Cash held in trust	(1,882,353)	417
Proceeds from disposal of income producing properties	–	621,670
Property disposal costs	–	(37,756)
	(42,608,338)	567,366
Change in cash	1,599,853	147,948
Cash, beginning of the period	210,118	218,691
CASH, END OF THE PERIOD	\$ 1,809,971	\$ 366,639
Supplemental cash flow information:		
Interest paid	\$ 603,387	\$ 584,867

Non-cash investing and financing activities:

Distributions to unitholders in the amount of \$387,533 were accrued as at March 31, 2010 and were paid in April 2010. Distributions to unitholders in the amount of \$188,157 were accrued as at December 31, 2009 and were paid in January 2010.

PIRET assumed a mortgage in the amount of \$1,597,240 upon the acquisition of Moncton.

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

1. Nature of business and basis of presentation:

Pure Industrial Real Estate Trust (the "Trust" or "PIRET") is an unincorporated open-ended trust formed under and governed by the laws of the Province of British Columbia and created pursuant to the Trust Declaration dated June 24, 2007. PIRET was established for the purposes of acquiring, owning and operating a diversified portfolio of income producing industrial properties in both primary and secondary markets across Canada.

PIRET's primary objectives are (a) to generate stable and growing cash distributions from investments in income producing industrial properties in both primary and secondary markets across Canada, (b) to maximize the long-term value of the properties through active management, and (c) to expand its asset base and increase its distributable income through an accretive acquisition program.

2. Significant accounting policies:

PIRET's unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are consistent with the significant accounting policies reported in the Trust's audited financial statements for the year ended December 31, 2009, except as described in the notes below. Under GAAP, additional disclosures are required in annual financial statements; therefore, these unaudited interim financial statements should be read in conjunction with the Trust's audited financial statements for the year ended December 31, 2009.

Future changes in accounting policy:

(i) International financial reporting standards:

In February 2008, the CICA announced that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Enterprises will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Trust's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Trust is currently assessing the impact of the transition to IFRS and developing a plan accordingly.

Based upon the current state of IFRS, management has identified major differences between GAAP and IFRS that may impact the Trust's financial results. The main differences identified to date relate to the accounting for investment properties, joint ventures and business combinations; impairment testing for assets; income taxes; classification of Trust Units when the declaration of Trust requires that all taxable income be distributed; and the effects of transitional provisions of IFRS for first-time adopters.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

2. Significant accounting policies (continued):

(ii) Business combinations, non-controlling interest and consolidated financial statements:

In January 2009, the CICA issued Handbook Sections 1582, *Business Combinations*; 1601, *Consolidated Financial Statements*; and 1602, *Non-controlling Interests* which replace CICA Handbook Sections 1581, *Business Combinations*; and 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Trust's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 and Section 1602 are applicable to the Trust's interim and annual consolidated financial statements for its fiscal year beginning on January 1, 2011. Early adoption of these sections is permitted and all three sections must be adopted concurrently. The financial reporting impact of adopting these sections will not be known until PIRET has future business combinations.

3. Income producing properties:

On January 1, 2009, PIRET sold its undivided interest in a small property, located at 509 - 44th Street East, Saskatoon, SK, for \$625,000 less standard closing costs and adjustments. The Trust repaid the mortgage on this property at the same time. On June 1, 2009, PIRET sold its undivided interest in another small property, located at 225 Quebec Street, Regina, SK, for \$558,000 less standard closing costs and adjustments. The Trust repaid the mortgage on this property at the same time. The gain on disposal of these properties is determined as follows:

Gross proceeds	\$	1,183,000
Selling commission and legal fees		(79,426)
Net proceeds		1,103,574
Net book value of income producing properties		967,742
Gain on disposal of income producing properties	\$	135,832

During March 2010, PIRET acquired three income producing properties and in-place leases for total of \$42,090,000 plus standard closing costs and adjustments. The total purchase price of \$42,323,225 for these properties includes acquisition costs of \$233,225 and has been allocated to the assets acquired as follows:

Land	\$	14,068,750
Building		23,014,254
Intangible assets		5,240,221
	\$	42,323,225

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

3. Income producing properties (continued):

March 31, 2010	Cost	Accumulated amortization	Net book value
Land	\$ 39,360,129	\$ –	\$ 39,360,129
Building	64,068,387	3,223,784	60,844,603
Equipment	16,965	1,838	15,127
Total	\$ 103,445,481	\$ 3,225,622	\$ 100,219,859

December 31, 2009	Cost	Accumulated amortization	Net book value
Land	\$ 25,291,379	\$ –	\$ 25,291,379
Building	41,054,133	2,863,582	38,190,551
Equipment	16,965	1,414	15,551
Total	\$ 66,362,477	\$ 2,864,996	\$ 63,497,481

The income producing properties are pledged as security against the mortgages payable.

4. Intangible assets:

March 31, 2010	Cost	Accumulated amortization	Net book value
Intangible assets	\$ 7,933,229	\$ 797,173	\$ 7,136,056

December 31, 2009	Cost	Accumulated amortization	Net book value
Intangible assets	\$ 2,693,008	\$ 704,816	\$ 1,988,192

5. Mortgage reserve fund:

The mortgage reserve fund consists of cash on deposit and was requested by lenders to be retained in escrow either pending expiry of the right to terminate in-place leases or to pay for any and all reasonable leasing costs. These funds will be released once certain conditions are met, but no later than the maturity of the mortgages. The terms for the current mortgage reserve fund are between a few months and 6.5 years. During 2009, the lenders released a total of \$440,000 from the mortgage reserve fund.

6. Cash held in trust:

Cash held in trust consists of refundable deposits, held pursuant to agreements of purchase and sale, which are to be used solely for the acquisition of income producing industrial properties.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

7. Mortgages payable:

	March 31, 2010	December 31, 2009
<p><u>Mabe</u> — Mortgage with RBC CMBS Group bearing interest at 5.677%, calculated semi-annually, maturing March 2016. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$49,143 commencing September 2007.</p>	\$ 8,058,100	\$ 8,092,176
<p><u>Team Tube</u> — Mortgage with Citizens Bank of Canada bearing interest at 5.48%, calculated semi-annually, maturing April 2011. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$87,120 commencing September 2007.</p>	13,121,485	13,206,740
<p><u>De Baets</u> — Mortgage with bclMC bearing interest at 5.50%, calculated semi-annually, maturing September 2011. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$10,633 commencing September 2007.</p>	1,615,450	1,625,296
<p><u>Tornado</u> — Mortgage with Canadian Western Bank bearing interest at 5.67%, calculated semi-annually, maturing November 2012. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$19,432 commencing December 2007.</p>	2,614,557	2,636,089
<p><u>Eurospec</u> — Mortgage with Great West Life Assurance Company bearing interest at 5.382%, calculated semi-annually, maturing January 2015. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$28,970 commencing February 2008.</p>	4,588,860	4,614,480
<p><u>Shanahan 57th</u> — Mortgage with CIBC Bank bearing interest at 5.926%, calculated semi-annually, maturing January 2018. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$33,359 commencing February 2008.</p>	5,035,790	5,061,912
<p><u>Shanahan portfolio (AB)</u> — Mortgages with Canadian Western Bank bearing interest at 5.754%, calculated semi-annually, maturing December 2012. The mortgages are secured by the income producing properties and are repayable in blended monthly payments of principal and interest of \$38,099 commencing January 2008.</p>	5,117,249	5,158,535

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

7. Mortgages payable (continued):

	March 31, 2010	December 31, 2009
<u>Shanahan portfolio (SK and MB)</u> – Mortgages with Canadian Western Bank bearing interest at 6.14%, calculated semi-annually, maturing between December 2008. The mortgages were secured by the income producing properties and were repayable in blended monthly payments of principal and interest of \$9,776 and were renewed for one year, bearing interest at 6%, commencing January 2009. The mortgages were repaid in full in March 2010.	\$ –	\$ 665,872
<u>Viking</u> – Mortgage with Great West Life Assurance Company bearing interest at 5.16%, calculated semi-annually, maturing March 2017. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$31,592 commencing April 2010.	4,745,000	–
<u>Transforce</u> – Mortgage with Bank of Montreal bearing interest at 4.95%, calculated semi-annually, maturing April 2015. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$136,457 commencing May 2010.	20,800,000	–
<u>Moncton</u> – Mortgage with First National Financial LLP bearing interest at 6.21%, calculated semi-annually, maturing August 2014. The mortgage is secured by the income producing property and is repayable in blended monthly payments of principal and interest of \$11,742 commencing April 2010.	1,597,240	–
	\$ 67,293,731	\$ 41,061,100

Principal repayments based on scheduled repayments to be made on the mortgages over the next five years and thereafter are as follows:

Remaining of 2010	\$ 1,289,436
2011	15,934,887
2012	8,558,815
2013	1,348,680
2014	2,781,073
Thereafter	37,380,840
	\$ 67,293,731

Mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 5.39% as at March 31, 2010 (2009 - 5.56%).

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

8. Notes payable:

PIRET has entered into a subordination and support agreement with Sunstone Industrial Investments Inc. (Sunstone Industrial). When the target monthly distribution, currently estimated to be \$0.025 per trust unit, is not achieved during the subordination period, holders of trust units will receive an amount equal to 100% of the total amount of cash set aside by the Trustees for distribution in such month. Sunstone Industrial will advance to PIRET cash in an amount equal to its pro-rata share of the monthly cash distribution in exchange for unsecured subordinated notes evidencing such advance, and will be entitled to receive distributions from PIRET equal to such amount. The monthly cash advance from Sunstone Industrial to PIRET will not exceed Sunstone Industrial's proportionate share of the monthly cash distribution during the subordination period. The subordinated notes are non interest bearing and due for repayment at the end of the Subordination Period.

The Subordination Period will end on the earlier of certain income and distribution targets being satisfied, or certain events occurring, being the earliest of:

- (i) the last day of any fiscal year in which PIRET has reported net income before gains or losses on property sales of at least \$0.18 per Unit and paid cash distributions of at least \$0.30 per Unit;
- (ii) August 31, 2010;
- (iii) the day on which a Determination Event occurs, and
- (iv) the day on which the Conversion Rights (see note 4(b) of the prospectus) are exercised.

The Determination Event means the earliest to occur of the following:

- (i) a period of 10 consecutive trading days during which the Market Capitalization exceeds \$200,000,000;
- (ii) a take-over bid by a person acting at arm's length to Sunstone Industrial (or any affiliate of an associate of or affiliate of Sunstone Industrial or person acting jointly or in concert with Sunstone Industrial) is made for the Units, provided that not less than 51% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or affiliates or associates of the offeror) are taken-up and paid for pursuant to the take-over bid;
- (iii) substantially all of the assets of PIRET are sold or PIRET is liquidated; and,
- (iv) the asset management agreement (see note 13) is terminated by the Trustees for cause.

As at March 31, 2010, Sunstone Industrial had advanced to PIRET \$231,713 (2009 - \$221,810) pursuant to the subordination and support agreement.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

9. Unitholders' equity:

	Number Authorized	March 31, 2010		December 31, 2009	
		Number issued and outstanding	Carrying value	Number issue and outstanding	Carrying Value
Initial contribution by settlor	1	1	\$ 10	1	\$ 10
Trust units	unlimited	14,726,263	51,259,799	7,526,263	29,659,799
Subordinated units	unlimited	278,947	1,115,788	278,947	1,115,788
		15,005,211	\$ 52,375,597	7,805,211	\$ 30,775,597

(a) Trust units and subordinated units:

The beneficial interests in the Trust are divided into trust units and subordinated units. The Trust, pursuant to an agency agreement dated August 13, 2007, filed a final prospectus on August 13, 2007 in each of the provinces of Canada in connection with its initial public offering of 4,750,000 trust units at a price of \$4.00 per unit for total gross proceeds of \$19 million (the Offering).

Sunstone Industrial subscribed for 250,000 subordinated units at a price of \$4.00 per unit for total gross proceeds of \$1 million concurrent with the closing of the offering.

The Trust also granted the agents an over-allotment option to purchase up to an additional 712,500 trust units for a period of up to 30 days after closing of the Offering. To the extent that additional trust units were issued pursuant to the over-allotment option, Sunstone Industrial agreed to subscribe for its pro rata share of additional subordinated units.

Except as set out in the Trust Declaration, no trust unit or subordinated unit has any preference or priority over another.

Upon completion of the offering, holders of the trust units share in a 95% equity interest (the Unit Percentage Interest) in all distributions and all net assets of the Trust and Sunstone Industrial, as the holder of the subordinated units, shares in a 5% equity interest (the Subordinated Unit Percentage Interest) in all distributions and all net assets of the Trust.

Each trust unit is transferable and, so long as there are subordinated units issued and outstanding, each trust unit represents an equal undivided ownership interest in and to the Unit Percentage Interest of any net assets of the Trust, whether of net earnings, net realized capital gains or other amounts, and in the Unit Percentage Interest of any net assets of the Trust in the event of the termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the Trust.

Pursuant to the subordination and support agreement (note 8), Sunstone Industrial has agreed not to transfer the subordinated units held to others except to its affiliates and associates. Each subordinated unit represents an equal undivided ownership interest in and to the Subordinated Unit Percentage Interest of any net assets of the Trust, whether of net earnings, net realized capital gains or other amounts, and in the Subordinated Unit Percentage Interest of any net assets of the Trust in the event of the termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the Trust.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

9. Unitholders' equity (continued):

(a) Trust units and subordinated units (continued):

The unitholders have the right to require the Trust to redeem their trust units on demand at the prices determined and payable in accordance with the Trust Declaration. The Trust will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Trust in any month will exceed the greater of \$20,000 and the amount that is 0.10% of the aggregate subscription price of all Trust units that were outstanding at the end of such month.

On February 25, 2010, PIRET announced the closing of a bought deal private placement for 7.2 million trust units priced at \$3.00 per Unit, for total gross proceeds of \$21.6 million.

(b) Conversion rights of subordinated units:

Pursuant to the Trust Declaration, the subordinated unitholders as a class are entitled to convert all but not less than all of their subordinated units into trust units based on the specified ratio. Upon the subordinated unitholders exercising their conversion rights, such subordinated unitholders will own that number of trust units which is equal to the Subordinated Unit Percentage Interest (initially 5%) of all units outstanding after such conversion. Sunstone Industrial did not exercise the conversion rights during the period ended March 31, 2010 or the year ended December 31, 2009.

(c) Unit rights, warrants and options:

The Trust may create and issue rights, warrants, options or other instruments or securities to subscribe for fully paid trust units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time as the Trustees may determine. As at March 31, 2010 and December 31, 2009, the Trust has not issued any rights, warrants or options.

(d) Distributions:

The Trust intends to make monthly distributions to unitholders. Distributions are at the discretion of the Trustees of PIRET. All distributions from the Trust will be made 95% to the trust units and 5% to the subordinated units. During the period ended March 31, 2010, the Trust announced cash distributions to trust unitholders of \$0.025 per unit per month for a total of \$924,470 (2009 - \$2,257,879). The Trust also announced a cash distribution to subordinated unitholders of \$48,656 (2009 - \$118,836).

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

9. Unitholders' equity (continued):

(e) Restricted units:

On February 20, 2008, the Trustees approved a restricted unit plan for the Trust (the Plan).

The Plan provides for the grant of restricted units to participants (who may be Trustees, key management, key employees or consultants). Each restricted unit will give the participant the right to receive, upon vesting, an amount equal to the fair market value of the units on the payment date, either by way of a cash payment or by the Trust acquiring Units in the open market and distributing them to the participant, or by a combination of the two, at the Trust's option. As distributions are paid on Units, additional restricted units will be credited to the participants in an amount determined by dividing the dollar amount of the distributions payable by the fair market value per Unit on the date of the distribution. As well, the number of restricted units granted to a participant may be increased by a "performance factor" established by the Trustees at the time of grant. Unless otherwise determined by the Trustees, restricted units will vest and become available for redemption on the third anniversary of their being granted, or on a change of control or take over bid for the Trust. Restricted units vested must be redeemed not later than December 31 in the year of vesting. However, the restricted units granted to a participant and any associated distribution restricted units shall not vest, and the participant shall not be entitled to such restricted units or associated distribution restricted units if the performance criteria, which are specified in the grant agreements, are not met.

As at December 31, 2008, the Trust had issued a total of 30,000 restricted units and a total of 2,608 distribution restricted units for proceeds of nil.

On March 6, 2009, the Trust issued an additional 52,382 restricted units. As at December 31, 2009, the Trust had issued a total of 82,382 restricted units and a total of 10,788 distribution restricted units for proceeds of nil.

On March 11, 2010, the Trust issued an additional 41,676 restricted units. As at March 31, 2010, the Trust has issued a total of 124,058 restricted units and a total of 12,633 distribution restricted units for proceeds of nil. No compensation expense has been recorded in the statement of operations in relation to the restricted units and distribution restricted units issued as at March 31, 2010 or at December 31, 2009, as there is insufficient certainty that the performance criteria will be met.

10. Capital management:

The Trust defines capital as the aggregate of unitholders' equity and long-term debt. The Trust's objectives in managing capital are to maintain a level of capital that: complies with investment and debt restrictions pursuant to the Trust Declaration; complies with existing debt covenants; funds its business strategies; and builds long-term unitholder value. The Trust's capital structure is approved by its unitholders as related to the Trust Declaration and by its board of Trustees through its periodic reviews. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

10. Capital management (continued):

The Trust Declaration provides for a maximum indebtedness level of up to 70% of the gross book value. The term "indebtedness" means any obligation of the Trust for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of the Trust arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by the Trust for which the Trust has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The Trust Declaration defines "gross book value" as the book value of the assets of the Trust and its consolidated subsidiaries plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust. The Trust's indebtedness level is 58% as at March 31, 2010 (December 31, 2009 - 59%).

The Trust Declaration also requires the Trust to distribute to its unitholders in each year an amount not less than the Trust's income for the year, as calculated in accordance with the Income Tax Act after all permitted deductions under the Act have been taken. The board of Trustees also reviews the cash distribution paid to unitholders on a regular basis. The monthly distribution to trust unitholders was \$0.025 per unit for the period ended March 31, 2010 (2009 - \$0.025).

The Trust is in compliance with all investment and debt restrictions pursuant to the Trust Declaration for the period ended March 31, 2010 and for the year ended December 31, 2009.

The capital structure consisted of the following components at March 31, 2010 and December 31, 2009.

	March 31, 2010	December 31, 2009	Change
Capital			
Mortgages payable	\$ 67,293,731	\$ 41,061,100	\$ 26,232,631
Notes payable	231,713	221,810	9,903
Unitholders' equity	43,747,879	24,490,467	19,257,412
Total Capital	\$ 111,273,323	\$ 65,773,377	\$ 45,499,946

The total capital increased significantly primarily due to the mortgage proceeds from new acquisitions and additional trust units issuance related to the private placement, offset by repayment of mortgage principal and distributions to trust unitholders for the period ended March 31, 2010.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

11. Risk management:

In the normal course of business, the Trust is exposed to a number of risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk and economic dependence:

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The Trust is exposed to credit risk in the event of non-payment of rent and recoveries by its tenants. This risk is mitigated by obtaining advance deposits and initiating a prompt collection process. The amount of trade receivables at March 31, 2010 was \$3,278 (December 31, 2009 - \$30,064).

The Trust earned approximately 18% (2009 - 21%) of its revenue from a single tenant.

The mortgage reserve fund held by the lenders is recoverable once certain conditions are met, but no later than the maturity of the mortgages. The Trust does not believe that there is any material credit risk associated with the mortgage reserve fund.

(b) Interest rate risk:

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments. Mortgages payable and the demand loan bear interest at fixed rates; therefore the Trust is not exposed to significant interest rate risk.

(c) Liquidity risk:

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit PIRET's ability to vary its portfolio promptly in response to changing economic or investment conditions. If PIRET were required to liquidate a real property investment, the proceeds to PIRET might be significantly less than the aggregate carrying value of such property.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods ended March 31, 2010 and 2009

11. Risk management (continued):

The terms and conditions of outstanding mortgages are as follows:

MORTGAGES PAYABLE	Nominal interest rate	Year of maturity	March 31,	December
			2010	31, 2009
			Carrying value	
Mabe	5.677%	2016	\$ 8,058,100	\$ 8,092,176
Team Tube	5.480%	2011	13,121,485	13,206,740
De Baets	5.500%	2011	1,615,450	1,625,296
Tornado	5.670%	2012	2,614,557	2,636,089
Eurospec	5.382%	2015	4,588,860	4,614,480
Shanahan - 57th	5.926%	2018	5,035,790	5,061,912
Shanahan portfolio - AB	5.754%	2012	5,117,249	5,158,535
Shanahan portfolio - SK and MB	6.000%	2009	—	665,872
Viking	5.160%	2017	4,745,000	—
Transforce	4.950%	2015	20,800,000	—
Moncton	6.210%	2014	1,597,240	—
Total mortgages payable			\$ 67,293,731	\$41,061,100

The carrying value of the mortgages payable is the same as the face value.

12. Fair value:

For certain of the Trust's financial instruments, including cash, cash held in trust, amounts receivable, accounts payable and accrued liabilities, and the demand note, the carrying values approximate their fair values due to their short-term nature. The fair values of the mortgage reserve fund, mortgages payable and notes payable have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions, as follows. Discount rates are either provided by lenders or are observable in the open market.

	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage reserve fund	\$ 244,765	\$ 253,829	\$ 242,568	\$ 215,050
Mortgages payable	67,293,731	67,322,759	41,061,100	41,164,547
Notes payable	231,713	231,713	221,810	221,810

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Notes to Financial Statements

Periods ended March 31, 2010 and 2009

13. Related party transactions:

PIRET is related to Sunstone Realty Advisors (2005) Inc. and Sunstone Industrial Investments Inc. by virtue of having officers and directors in common.

- (a) On July 1, 2008, the \$225,000 balance payable by PIRET to Sunstone Realty Advisors (2005) Inc. was converted into a demand note, bearing interest at 4.75% per annum. On August 24, 2009, PIRET repaid \$100,000 of the demand note plus all interest accrued to that date. On March 5, 2010, PIRET repaid the remaining outstanding demand note plus all interest accrued to that date.
- (b) During 2008, Sunstone Industrial advanced \$49,000 to PIRET to fund working capital requirements in October and November 2008. This amount was included in accounts payable and accrued liabilities at December 31, 2008 and was still outstanding as at December 31, 2009. On March 5, 2010, PIRET repaid the amount in full.

PIRET has entered into an asset management agreement with Sunstone Industrial Advisors Inc. (Sunstone Management) whereby Sunstone Management will provide asset management, administrative and reporting services to PIRET. In accordance with the asset management agreement, PIRET will reimburse Sunstone Management for all reasonable expenses associated with the operation of PIRET, including any third party costs which are reasonably incurred by Sunstone Management on behalf of PIRET, but not personnel costs incurred by Sunstone Management in managing PIRET. During the period ended March 31, 2010, Sunstone Management charged PIRET nil (2009 - nil) pursuant to the Asset Management Agreement.

PIRET is related to King Pacific Capital Corp. by virtue of having trustees and directors in common. PIRET paid King Pacific Capital Corp. a mortgage brokerage fee in the amount of \$63,863 for arranging the financing of Viking and Transforce during the three months ended March 31, 2010. It is in management's opinion that the mortgage brokerage fees are in line with current market rates.

14. Segment disclosures:

The Trust operates in one business segment, being the ownership and operation of a portfolio of income producing industrial properties in Canada. During the period ended March 31, 2010, PIRET held properties located in six provinces: British Columbia, Alberta, Ontario, Quebec, Manitoba and New Brunswick.

15. Income taxes:

Pursuant to the declaration of the Trust, the Trustees are required to distribute all taxable income to the unitholders and to deduct such distributions for income tax purposes each year so as to not be liable for income tax under Part I of the Income Tax Act (Canada). Furthermore, the Trust intends to operate in such a manner so as to qualify as a "Mutual Fund Trust" and a "real estate investment trust" pursuant to that act. Consequently, no provision for income taxes is required on income earned by the Trust.

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Periods ended March 31, 2010 and 2009

At March 31, 2010, the tax bases exceed the reported amounts of the Trust's assets and liabilities by \$2,610,658 (December 31, 2009 - \$1,241,196).

16. Subsequent events:

In April 2010, Canadian Western Bank established a revolving operating line of credit for PIRET in the amount of \$750,000, bearing interest at the lender's prime rate plus 1.75%, with a minimum of 4% per annum. As at the date of this report, PIRET drew down \$750,000 on April 23, 2010 and repaid the entire balance on May 18, 2010.

On April 23, 2010, PIRET acquired three income producing industrial properties located in Saskatchewan for a total purchase price of \$12.3 million plus standard closing costs and adjustments. The acquisition was financed by cash and new mortgages.

On April 30, 2010, Redekop Holdings Inc. lent PIRET \$1,200,000, bearing interest at 24% per annum and maturing on June 1, 2010. The loan was used as bridge financing for new acquisitions.

On May 18, 2010, PIRET announced the closing of a bought deal for 5.8 million trust units priced at \$3.50 per unit, for total gross proceeds of \$20.3 million. PIRET has also granted the underwriters an over allotment option to purchase up to an additional 870,000 units on the same terms and conditions, exercisable at any time, in whole or in part, up to 30 days after the closing of the bought deal. PIRET intends to use the net proceeds to fund future acquisitions.

On May 18, 2010, PIRET repaid the \$1,200,000 loan and interest to Redekop Holdings Inc. with the proceeds from the bought deal equity financing.

On May 20, 2010, PIRET announced the closing of three income producing industrial properties that were previously announced on April 29, 2010 for a total purchase price of \$14.95 million. The acquisitions were funded with proceeds of the bought deal equity financing, and a new first mortgage in the amount of \$10.39 million bearing interest at a rate of 4.80%, and maturing in 2015.